minutes

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MINUTES
ECONOMIC POLICY COUNCIL

May 23, 1985
10:30 a.m.
Roosevelt Room

Attendees: Messers. Baker, Shultz, Block, Brock, Stockman, Sprinkel, Burnley, Lighthizer, Svahn, Kingon, Porter, Amstutz, Mulford, Rollins, Jones, and Khedouri, and Ms. Risque.

1. Agricultural Export Enhancement Program

Mr. Mulford outlined for the Council the deliberations of the Working Group requested to develop guidelines for the Agricultural Export Enhancement Program. He indicated that the Group had agreed there were three principal objectives of the program: (a) increasing U.S. farm exports; (b) encouraging our trading partners to negotiate seriously on the use of farm export subsidies; and (c) gaining congressional support for a market-oriented farm bill.

The Working Group developed four criteria as guidelines to use in considering individual proposed sales under the program:

(1) Additionality -- that the proposal should increase U.S. agricultural export sales above what would have occurred in the absence of the program.

(2) Targeting -- that each proposal should be targeted on specific market opportunities, especially those that challenge competitors who subsidize their exports.

(3) Cost Effectiveness -- that the proposal should result in a net benefit to the overall economy.

(4) Budget Neutrality -- that the program should not in total displace commercial sales of any CCC-supported commodity and thereby not increase budget outlays.

Mr. Mulford acknowledged that the Working Group was aware that these criteria would be difficult to measure precisely and to achieve.

The Council's discussion focused on the nature of the Administration's commitment to the Congress on this program, the recent discussions between senior Administration officials and farm state Senators on what the program would actually do for farm exports and farm income, sales involving direct transactions with the U.S.S.R. or its allies, and the countries that would most likely be affected by the program.

The Council also discussed the issue of whether cargo preference applies, whether these sales would be considered commercial or concessional, the intent in administering the program to get prices down to world commercial price levels, the timing of the first sales, and the countries and commodities that would be targeted.

The Council extensively discussed whether the targeting should be broad or narrow and whether it should apply to sales that would compete directly with sales made by major LDC debtor nations.

The Council considered the need to insure that before any sales were announced under the program that U.S. government officials would consult with appropriate foreign governments to advise them regarding the nature of the program and the guidelines under which it would operate, as well as adequate notification before individual sales are completed.

Decisions

The Council approved the nine points outlined on the attached document.

Economic Policy Council
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Agricultural Export Enhancement Program

1. Basic Program. The Council approved supporting a three-year program providing up to $2 billion in the asset value of CCC owned commodities for an export enhancement program.

Once a specific sale proposal is approved, commercial exporters will bid on the amount of CCC stocks needed to make the export sale.

2. Cargo Preference. The Council approved a policy of not applying cargo preference laws to sales made under this program on the grounds that the sales are commercial in nature rather than concessional. The Administration will support legislation, if necessary, to clarify that shipments of sales under the Agricultural Export Enhancement Program are not subject to cargo preference.

3. Initial Sale. The Council requested the Department of Agriculture to identify an appropriate initial proposed first sale under the program likely involving the purchase of an agricultural commodity by a North African country involving competition with a subsidized offer by a French exporting concern.

4. Communist Nation Purchases. The Council approved not including transactions under the program involving direct sales to the U.S.S.R. or its allies. (This policy will not be part of the public description of the program but will be strictly adhered to in decisions on approving individual sales.)

5. Debtor Nations. The Council approved not subsidizing sales under this program that would compete directly with sales made by major debtor nations including, but not limited to, Brazil, Argentina, and Mexico.

6. Interagency Review Process. The Council approved establishing an interagency review process for sales under this program that would involve three stages:

a. The Department of Agriculture would identify an individual sale proposal that is commodity and country specific.

b. The Trade Policy Review Group would review the individual sale proposal for consistency with the established guidelines.

c. If there is disagreement among the TPRG members on a proposal, the Economic Policy Council would consider it.

7. Consultations with Foreign Governments. The Council agreed that before any sales were announced under the program, U.S. government officials would consult with appropriate foreign governments to advise them regarding the nature of the program and the guidelines under which it would operate.

In view of the potential for misunderstanding and misinformation, it is important that these briefings occur before any sales are announced.

It is expected that these briefings will be conducted by officials from the Department of State, the Department of Agriculture, and the Office of the U.S. Trade Representative with their respective counterparts in the foreign governments.

8. Guidelines. The Council requested Treasury, the Department of Agriculture, and the Office of Management and Budget to reexamine the draft guidelines and consider any modifications with a view to using the guidelines as the basis for briefings on the program with foreign governments.

9. Pre-Sale Notification. The Council agreed that the procedures for announcing and consumating sales should provide for notification of the affected countries consistent with competition among the companies bidding for the CCC stocks.